

Service Date: March 13, 1990

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application)	
of the MONTANA POWER COMPANY for)	
Authority to Implement a Qualify-)	UTILITY DIVISION
ing Facilities Cost Tracking Mech-)	
anism and for Approval to Increase)	DOCKET NO. 90.3.17
Rates and Charges for Electric)	
Service in the State of Montana)	INTERIM ORDER NO. 5465
to Reflect QF Tracking Costs and)	
Increased Depreciation Expense.)	

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INTERIM ORDER

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1. On March 1, 1990, the Montana Power Company (MPC or Company) filed a request with the Montana Public Service Commission (Commission) for authority to implement a Qualifying Facilities (QF) Cost Tracking Mechanism and for approval to increase electric rates in Montana to reflect QF tracking costs and increased depreciation expense. Included in the filing is a request for interim approval of the proposed rate schedules. (Application, p. 1)

2. The overall net effect of MPC's request is an increase in annual electric revenues of \$8,510,156, resulting from the QF and depreciation costs not currently reflected in MPC's rates (Application, p. 1)

3. The QF costs are those projected by MPC for the tracking period April 1, 1990, through December, 1990. The QF tracking costs for 1990 also include the costs of purchasing

MPC Docket 90.3.17, Interim Order 5465 Page 2 power from the DNRC-Broadwater Dam hydroelectric project since its commercial operation began in June of 1989 and from the Montana One waste coal QF project, which is scheduled to begin initial operation in March of 1990. The net annual increase needed due to these QF tracking costs is \$6,555,994. (Application, p. 2)

4. The depreciation cost increases to the electric utility are caused by a depreciation rate change identified in a 1988 depreciation study update. The 1989 depreciation costs recorded on MPC's electric books and records reflect an increase of \$1,575,653 in annual depreciation cost, which results in a need for an increase of \$1,954,162 (adjusted for taxes) in MPC's annual revenue requirement. (Application, p. 2)

5. MPC says that this two-issue filing is the filing contemplated by the Commission in Order No. 5360c, Finding of Fact No. 19, Docket No. 88.6.15, where the Commission found that it would entertain a filing of only a few items of cost changes. Accordingly, MPC requests that the Commission's minimum filing requirements be waived. (Application, p. 2)

6. As stated above, MPC requests the Commission to approve the implementation of a QF cost tracking mechanism for the electric utility. MPC says that the Commission, in Order No. 5091c, Finding of Fact No. 249, approved MPC's tracking of net QF costs to allow their recovery as incurred. Therefore, MPC Docket 90.3.17, Interim Order 5465 Page 3 submits its QF tracking mechanism, which will allow ongoing tracking and recovery of MPC's net OF costs. (Application, p. 2)

7. MPC's QF tracking proposal corrects for the mismatch of current rate/revenues and fF expenses with an annual

adjustment to rates based on a forecast of QF expenses or each upcoming calendar year. During the rate effective period, the Company will track the plus or minus differences in net QF costs (net of any revenue credits) proposed to be recovered in rates during the rate effective period, versus what was actually recovered in rates during the rate effective period. Any under/over collection is proposed to be included as an adjustment to the QF costs in the following tracking filing. (Application pp. 2-3)

8. MPC requests that if the Commission does not approve the QF tracking mechanism, the Commission will provide MPC with timely rate relief on a one-time basis to allow recovery of the very substantial increases in QF costs during 1990 (Application, P. 3).

9. MPC requests that interim approval of its requests become effective April 1, 1990 (Application, p. 3).

10. The estimated number of customers whose cost of service will be affected is 946,680, and the annual amount of increase to those customers is \$8,510,156 (Application, p. 4).

11. MPC requests that the electric rate increase be implemented in two parts. The QF tracker increase is proposed to be recovered through a uniform cents/Kwh adjustment of \$0.001291 per Kwh. The increase resulting from changed depreciation rates is requested to be recovered through a uniform percentage increase of 0.738220 percent. (Application, p. 4)

Commission Analysis

12. Concerning the depreciation expense portion of MPC's

filing, the Commission finds that this Interim Order should not address this matter as the purpose of this Interim Order is to address only the OF tracking mechanism portion of MPC's filing. Therefore, MPC's request to reflect these increased depreciation costs is denied in this Interim Order. This denial should not be construed to mean that the Commission necessarily will not issue a subsequent order in the near future that will address MPC's proposal concerning increased depreciation costs on an interim basis.

13. Concerning MPC's proposal to increase electric rates to reflect QF costs, the Commission has had very limited time to review this portion of the filing. Therefore, the Commission denies MPC's request to increase rates until time allows for adequate analysis of this proposal. The Commission contemplates that, similar to the proposed revenue increase to reflect depreciation costs, a subsequent order will address this issue on an interim basis.

14. The main purpose of this Interim Order is to grant temporarily MPC's proposal, with Commission modifications, to implement a QF cost tracking mechanism so that such costs can be properly recorded upon tariff approval. The Commission recognizes that MPC's rates may not reflect all the QF costs that the Company is currently incurring and, pursuant to Finding of Fact No. 249 in Order No. 5091c of Docket No. 84.10.64, the Commission finds that, at least on an interim basis, a mechanism should be put in place to allow MPC to record such costs. MPC's proposed mechanism contemplates the recovery of costs associated with the Toston Dam project in Broadwater County since the initial operation in June of 1989 and the reflection of projected costs. The Commission, in granting interim approval of MPC's QF tracking mechanism, specifically denies the Company's request to record any

projected costs or costs incurred before the approval date of filed tariffs describing the QF tracking mechanism. The effect of this Interim Order is to allow MPC to ,record in its unreflected QF cost account only actual QF costs being incurred. All other QF costs will be addressed in a subsequent Commission order. Final determination of the QF tracking mechanism will also be addressed in a subsequent Commission order.

15. Based on the discussion in the above Finding of Fact No. 14, MPC is directed to file compliance tariffs reflecting the findings of the Commission concerning a QF cost tracking mechanism. MPC can begin recording actual, prospective QF costs as part of this mechanism immediately upon the approval of such compliance tariffs.

16. For purposes of this Interim Order, the Commission determines that MPC's filing is complete, and MPC's request that the Commission waive the minimum filing requirements is granted.

17. All other MPC requests for interim approval in this filing are specifically denied.

18. Approval of this Interim Order causes no change in MPC's electric rates.

CONCLUSIONS OF LAW

1. Applicant, Montana Power Company, provides electric service within the State of Montana and as such is a "public utility" within the meaning of Section 69-3-101, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over the Applicant's Montana rates and

operations pursuant to Title 69, Chapter 3, MCA.

3. Section 69-3-304, MCA, provides, in part, that the Commission may, in its discretion, make temporary approvals of requests pending a hearing or final decision.

4. The proposal approved herein is a reasonable means of providing interim relief to MPC. The rebate provisions of Section 69-3-304, MCA, protect ratepayers until there is a Final Order in this docket.

ORDER

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. Applicant, Montana Power Company, is hereby granted its proposal on an interim basis to implement a QF cost tracking mechanism, as modified by the Commission in Finding of Fact No. 14.

2. Applicant is hereby ordered to adhere to and to abide by all Findings of Fact in this Interim Order.

3. Applicant must file tariffs in compliance with the Findings of Fact in this Interim Order.

4. Applicant's temporarily approved QF cost tracking mechanism is to become effective upon the approval of filed compliance tariffs.

5. Approval of this Interim Order does not change Applicant's electric rates in Montana, but this Interim Order, nonetheless, is subject to rebate provisions. Such a rebate would include interest at the rate of the Applicant's last

granted return on common equity.

5. Interim approval of any matters in this proceeding should not be viewed as final endorsement by the Commission of any issues, calculations, or methodologies approved in this Interim Order.

6. The Commission accepts, for interim purposes, MPC's request that this is a complete filing, and waives the minimum filing requirements on an interim basis. The Commission reserves final ruling on this request until a Final Order is issued.

DONE IN OPEN SESSION at Helena, Montana, this 12th day of March, 1989, by a vote of 4 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

WALLACE W. 'WALLY' MERCER, Commissioner

JOHN B. DRISCOLL, Commissioner.

ATTEST:

Ann Peck
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.